

# Regular Meeting

Agenda Item #	5
Meeting Date	October 11, 2004
Prepared By	Sara Anne Daines HCD Director
Approved By	Barbara B. Matthews City Manager

<b>Discussion Item</b>	Resolution approving Community Legacy application
<b>Background</b>	<p>The State of Maryland recently announced that it is accepting applications for the 2005 Community Legacy program. Given that the State's funding priorities this year include condominium conversions, HCD staff has recommended the submission of an application for funds to supplement the City's Capacity Building program.</p> <p>As proposed, \$102,500 in Community Legacy funds would be requested to offset the predevelopment costs incurred by tenants pursuing the purchase of their rental facility. Such costs typically include inspection and engineering services, surveying, and attorney fees which, depending upon the size of the facility, can be as much as \$30,000. The \$25,000 included in the FY05 City Priorities Budget for the creation of a revolving loan fund for this purpose would be used as a match for the requested Community Legacy funds. An additional in-kind match of \$64,000 is proposed. Total project costs - HCD application fee, administration, marketing, tenant organizing, and predevelopment expenses - are budgeted at \$191,500.</p> <p>The proposed application was considered at the Council's October 4 worksession.</p>
<b>Policy</b>	<p>The Council approves proposal submissions that significantly impact the City budget. Community Legacy proposal furthers the City's efforts to establish "a loan fund in support of continuing efforts of Capacity Builder Initiative."</p> <p style="text-align: right;"><i>City Priorities FY05</i></p>
<b>Fiscal Impact</b>	<p>Community Legacy funds, originally offered as grants, must be repaid though the State has indicated the repayment schedule can be structured in a variety of ways.</p> <p>The following loan structure is proposed.</p> <p>In the event the tenants are successful in their efforts to acquire the rental facility, the funds used for predevelopment costs would be repaid over a period of not more than six years. No interest would be assessed. The State considers this "take-out financing."</p>

Introduced by:

**Resolution #2004-**

**RESOLUTION APPROVING SUBMISSION OF A COMMUNITY LEGACY PROGRAM  
APPLICATION FOR THE HOME OWNERSHIP CAPACITY BUILDING INITIATIVE**

**WHEREAS**, the City of Takoma Park City Council recognizes that there is a significant need for reinvestment and revitalization of the communities in Montgomery County; and,

**WHEREAS**, the City of Takoma Park City Council proposes to develop the Home Ownership Capacity Building Initiative (the “Project”) throughout Takoma Park (the “Area”), the purpose of which will be to contribute to the reinvestment and revitalization in the Area; and,

**WHEREAS**, the Maryland Department of Housing and Community Development (the “Department”), either through Community Legacy or through other Programs of the Department, or in cooperation with other State departments or agencies, may provide some or all of the financing for the Project (the “Project Financing”) in order to assist in making it financially feasible; and

**WHEREAS**, the Area is located within a priority funding area under Section 5-7B-02 of the Smart Growth Act and the Project will conform to the local zoning code; and

**WHEREAS**, the applicable law and regulations require approval of the Community Legacy Area designation, the Project and the Project Financing by the City of Takoma Park City Council, and where appropriate, by the chief elected executive official of the local subdivision;

**NOW, THEREFORE BE IT RESOLVED THAT** the City of Takoma Park City Council hereby endorses the designation of the Community Legacy Area and the Project in the Area; and, hereby approves the request in the form of a grant, loan, or other financial vehicle in the amount of \$100,000; and

**BE IT FURTHER RESOLVED THAT**, the City Manager is hereby authorized to execute documents and take any action necessary to carry out the intent of these resolutions; and,

Approved this \_\_\_\_ day of \_\_\_\_\_, 2004.

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Cathy Waters, City Clerk CMC/AAE

Voting For:

Voting Against:

Abstaining:

Absent:

<b>Fiscal Impact</b> continued	<p>Staff further proposes that, if the tenants are unable to acquire the property, the funds used to pay for necessary studies and other predevelopment expenses, be “forgiven” by the State. The loan, as proposed, would not have to be repaid in this scenario.</p> <p>Proposed Sources and Uses of Funds:</p> <table><tr><td>Sources:</td><td>\$102,500</td><td>Community Legacy Funds (proposed)</td></tr><tr><td></td><td>\$ 47,000</td><td>FY05 HCD Operating Budget (approved)</td></tr><tr><td></td><td>\$ 25,000</td><td>FY05 City Priorities Fund (approved)</td></tr><tr><td></td><td><u>\$ 17,000</u></td><td>CDBG (approved)</td></tr><tr><td></td><td>\$191,500</td><td>Total Sources</td></tr><tr><td>Uses</td><td>\$125,000</td><td>Predevelopment Costs (3-4 Properties)</td></tr><tr><td></td><td>\$ 30,000</td><td>Capacity Building Contract for Services (*)</td></tr><tr><td></td><td>\$ 34,000</td><td>Administration, Marketing, Education, etc (*)</td></tr><tr><td></td><td><u>\$ 2,500</u></td><td>HCD Application Fee</td></tr><tr><td></td><td>\$191,500</td><td>Total Uses</td></tr></table> <p>(*) In-kind match</p>	Sources:	\$102,500	Community Legacy Funds (proposed)		\$ 47,000	FY05 HCD Operating Budget (approved)		\$ 25,000	FY05 City Priorities Fund (approved)		<u>\$ 17,000</u>	CDBG (approved)		\$191,500	Total Sources	Uses	\$125,000	Predevelopment Costs (3-4 Properties)		\$ 30,000	Capacity Building Contract for Services (*)		\$ 34,000	Administration, Marketing, Education, etc (*)		<u>\$ 2,500</u>	HCD Application Fee		\$191,500	Total Uses
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<b>Attachments</b>	<ul style="list-style-type: none"><li>• Resolution Approving Community Legacy Application</li><li>• Community Legacy Application - Executive Summary</li></ul>																														
<b>Recommendation</b>	To approve the attached Resolution																														
<b>Special Consideration</b>																															

# COMMUNITY LEGACY PROGRAM APPLICATION

## APPLICATION A

AS SUBMITTED BY THE CITY OF TAKOMA PARK, MD



OCTOBER 6, 2004

## **EXECUTIVE SUMMARY**

The Home Ownership Capacity Building Initiative encourages the conversion of multi-family properties to condominiums via the Tenant Opportunity to Purchase law.

The City proposes to provide needed financial assistance to qualified tenant associations to assist them in the purchase of their rental facility and the conversion of the property to owner-occupied condominiums. Funding would be limited to those tenant associations working with the City's Capacity Building Initiative and would be available on a first come first serve basis. The proposed budget allows for up to four associations to receive funds to offset the pre-development costs typically incurred during the initial stages of the purchase.

The City of Takoma Park requests Community Legacy capital funding in the amount of \$100,0000 to establish a fund for the purpose of providing the financial resources required to cover pre-development costs associated with the purchase and conversion of multi-family properties to condominiums.

Community Legacy funds would be repaid upon the successful acquisition and conversion of the properties by the tenant associations. City funds will be retained and used to continue to finance additional projects. The funds would not be repaid if the proposed purchase were not finalized.

In addition to the Core Community Legacy Application, this applications consists of:

- A detailed project description of the Home Ownership Capacity Building Initiative highlighting the need for the program as an affordable housing option;
- The program scope and budget for the proposed project; and
- Financing and repayment options.

The overall goal of this proposal is to illustrate the need for expanded affordable homeownership options and the innovative methods utilized by a small urban municipality to ensure that all residents have access to affordable home ownership.